

Termination of the Loan Repayment Agreement

1. If an applicant who has entered into a written contract with the Secretary and who—
 - a. is enrolled in the final year of a course of study and who—
 - (1) fails to maintain an acceptable level of academic standing in the educational institution in which the applicant is enrolled,
 - (2) voluntarily terminates such enrollment,
 - (3) is dismissed from such educational institution before completion of such course of study, or
 - (4) is enrolled in a graduate training program, fails to complete such training program, and does not receive a waiver from the Secretary under Section 108(b)(1)(B)(ii);

shall be liable, in lieu of any service obligation arising under such contract, to the United States for the amount which has been paid on such individual's behalf under the contract.

2. If, for any reason not specified in paragraph (1), an applicant breaches his or her written contract by failing either to begin, or complete, the applicant's period of obligated service in accordance with Section 108(f), the U.S. shall be entitled to recover from the applicant an amount to be determined in accordance with the following formula:

$$A = 3Z[(t-s)/t]$$

in which—

- a. "A" is the amount the U.S. is entitled to recover;
- b. "Z" is the sum of the amounts paid under this Section to, or on behalf of, the applicant and the interest on such amounts which would be payable if, at the time the amounts were paid, they were bearing interest at the maximum legal prevailing rate, as determined by the Treasurer of the U.S.;
- c. "t" is the total number of months in the applicant's period of obligated service in accordance with Section 108(f); and
- d. "s" is the number of months of such period served by such applicant in accordance with this section.

The above text concerning damages for breach of the LRP contract is taken directly from Section 108(l) of the IHCA.

Termination by the Government/tribal/urban Indian/Buy Indian health program of a participant's employment during his or her period of contracted service because of the participant's unsatisfactory performance shall be considered a breach of the LRP Contract. The above cited default provisions will apply to all LRP participants.

Damages Payable in One Year

Any amount of damages which the U.S. is entitled to recover under Section 108(l) shall be paid to the U.S. within the 1-year period beginning on the date of the breach or such longer period beginning on such date as specified by the Secretary. Damages not paid within the prescribed 1-year period will result in interest and late penalties being charged in addition to the damages.

Effects of Delinquency in Paying Damages

If the damages owed are not paid within three months after the 1-year payment period, the PSC/DSS Debt Servicing Section, will use collection agencies under contract with the Administrator of the General Services Administration or contract directly with collection agencies selected by the DHHS. Delinquencies of more than 60 days or damages of more than \$100 may be disclosed to appropriate credit reporting agencies.

Waiver, Cancellation or Discharge of a Participant's Obligation

Any obligation of an individual under the LRP for service or payment of damages shall be canceled upon the death of the individual.

The Secretary shall by regulation provide for the partial or total waiver or suspension of any obligation of service or payment by an individual under the LRP whenever compliance by the individual is impossible or would involve extreme hardship to the individual and if enforcement of such obligation with respect to any individual would be unconscionable.

The Secretary may waive, in whole or in part, the rights of the U.S. to recover amounts under this section in any case of extreme hardship or other good cause shown, as determined by the Secretary. Any obligation of an individual under the LRP for payment of damages may be released by a discharge in bankruptcy under Title 11 of the U.S. Code only if such discharge is granted after the expiration of the 5-year period beginning on the first date that payment of such damages is required, and only if the bankruptcy court finds that non-discharge of the obligation would be unconscionable.